THE IMPACT OF OIL ON NIGERIA'S PATTERN OF TRADE

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ABSTRACT

ECONOMICS

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<u>The Impact of Oil on Nigeria's Pattern of Trade</u>

Adviser: Doctor Thomas D. Boston

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The primary objective of this thesis is to investigate the impact of oil on Nigeria's pattern of trade. In doing this, we have analyzed the changing composition of Nigeria's trade and the importance of oil as a source of foreign exchange.

This thesis also assesses the national and international significance of petroleum production as a potential force in Nigeria's development. In fact, we have shown that crude oil is Nigeria's single largest revenue producer and largest employer of labour.

The factors responsible for decrease in agricultural production and the shift of workers from agricultural to oil sector are also discussed. In addition, the need to direct foreign exchange from petroleum export to the agricultural, transportation and communications sectors is discussed in detail.

Finally, the paper goes into the roles played by multinational corporations. It makes clear, the aims of these corporations and does not hesitate to point out the defects they have on Nigeria's economic development. Similarly, this paper looks at the steps Nigeria has taken to nationalize or allow for full participation of Nigerians in multinational corporations. Finally, the paper attempts to access the impact of all of these circumstances on Nigeria's national development, employment and internal and international trade.

ACKNOWLEDGEMENT

It is often said that excellence has never been given to a man except as a reward of labour.

Different people labour in different fields for different rewards. But my profound conviction is that a successful educational labour yields an increasing life-time reward.

A thesis such as this would not have been meaningful without the help of others. For this reason, I am beholden to the resourcefulness of Doctor Thomas D. Boston, whose labour has produced the insight and understanding that this thesis tries to convey to its readers. I also extend my sincere thanks to Doctor Margaret Simms for her encouragement, thoughtful and invaluable comments. My thanks are due to Doctor Singh and Professor Ralph Allen who have read the chapters of this thesis either in draft or in proof, but who are in fact not responsible for my errors.

My thanks to to my brother, Chief Asukwo E. Umoh and my cousin, Mr. Asukwo E. N. Eschor for their determination to make graduate education a must for me.

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CHAPTER I.

INTRODUCTION

Developing countries vary to a great extent in natural and human resource endowments, degree of integration into world markets, types of social and political systems, degree of urbanization, cultural homogeneity and other pertinent characteristics. Nevertheless, most economists can agree today that the goal of development must be to achieve a sustained increase in the welfare of the people. In the past, the primary focus of development has been one of attaining sustained growth of per capita output. Recently, this has been criticized from many angles:

(a) That growth in average income has been accompanied by a worsening of the relative and perhaps even the absolute position of the poorest member of society. Therefore the distribution of income should be incorporated as an explicit goal.

(b) Such growth has not solved the problem of social and technological dualism.

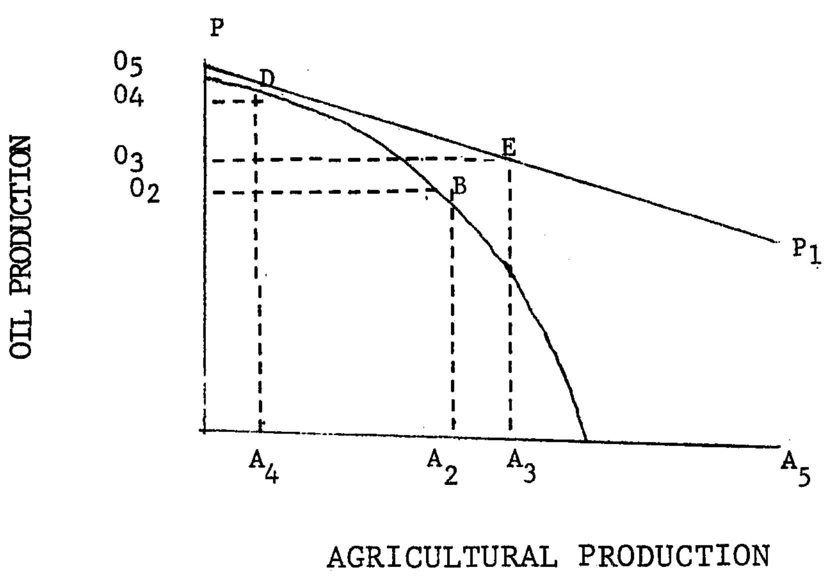
(c) There still exists short-run instability which results in unused productive capacity, inflation and balance of payments difficulties.

With the exception of the negative balance of payments, all of these problems are widespread in Nigeria.

Another Nigerian problem is that of gaining greater control over her destiny, so as not to be too subject to the decisions or preferences of foreigners. As a result, any exclusive concentration on increasing average product per capita is too narrow in Nigerian thinking.

The export of petroleum is a major vehicle through which Nigeria anticipates achieving its development. Therefore, at this point it is wise to examine a hypothetical process within which foreign trade enters into Nigeria's economic development.

Let us consider the simple data below:



Source: The above graph has been taken from Jere R. Behrman "Development, the International Economic Order, and Commodity Agreements to explain Nigerian situation.

The graph shows that Nigeria for instance has two commodities for international trade. One is agricultural product while the other one is crude oil. The agricultural production is along the horizontal line while crude oil production is along vertical line. Let us assume that Nigeria does not affect international prices, but can trade as much as she wants at international price ratio A to O which is regarded to be the slope of straight line pp_1 in the graph above.

Without international trade, the country can choose any point on the frontier say Point B, with A_2 units of agricultural products and O_2 units of crude oil. In international trade, Nigeria can generally do better. Given pp_1 as the international price line, the country could produce oil and agricultural goods at O_4 and A_4 or D. Then she can move to E by exchanging $O_4 - O_3$ for $A_3 - A_4$. This will make available both more agricultural goods and crude oil to trade than the country would have with no trade at Point B. Specialization in oil (the goods in which the economy has a comparative and trading advantage for other goods on international market) is seen by Nigeria as providing another means by which she may increase her per capita availability of goods for the use of her citizens.

In Nigeria, prior to the discovery of oil, agricultural products fared very favourable in international trade. When the country began producing oil, workers moved from the agricultural sector to the production of crude oil and other industrial products. The reasons for this rapid population shift are related to the fluctuation in the prices of agricultural products and relatively low income in agricultural sector. From the government's standpoint, the agricultural sector brings less foreign exchange to the country and since many countries of the world produce almost similar goods, and unseen hand of competition is always at work. On the other hand, the availability of crude oil is unevenly distributed. Its scarcity and importance in industrial plants has led to a high demand for oil and as a result, an increase in the price of oil. The workers in oil sector of the economy receive more pay than other workers in agriculture. This oil in turn provides sufficient income for more internal development of the country. Even though much of Nigerian crude oil is exported and less is used for home consumption, Nigerian citizens are better off than when there was no oil. Recently, however, efforts are being made to introduce sophisticated industries in the country that will make better domestic use of Nigerian crude oil. When this is done, less oil will be exported and the country as a whole will be better off. The employment of local workers in the oil sector has created new incomes which in turn have widened the domestic market. This has increased saving which automatically results in sources of further investment. For further balanced growth, the companies engaged in oil operation are asked to pay various taxes for the privilege of carrying out their operation. This fund is used by the government to promote further growth quite apart from oil development. A part of the fund is being used for the expansion of private investment by improving market conditions and developing of external economics such as road construction, expansion of power and training of labour force.

The importance of oil in Nigeria's trade and development therefore can not be over-emphasized. As has already been mentioned, higher earnings in the form of wages had moved agricultural workers to oil sector, thus indicating that it is the largest single employer of labour in Nigeria. Plants and machinery meant for agricultural development had been diverted to oil sector. All these reduced very considerably, agricultural production. Income from oil has increased foreign exchange earnings of the country; this gives rise to considerable increase in investments in other sectors of Nigerian economy.

Experts contend that Nigeria is an artificially created nation. That is, its boundaries were created not to follow the natural boundaries of geography, or the cultural homogeneity of its people. But they were created to satisfy the political and economic demands of British colonialism.

More specifically, Nigeria was created in response to the demands of the Niger Company, which held trading concessions in the area of what is today Nigeria. It must be remembered that the Niger Company, an outgrowth of two other companies which once operated in the area, was the Nigerian equivalent of the East India Company, the industrial and economic side of British imperialism.[1] This company monopolized most of the production of Nigerian economy such as palm oil, palm kernels, cocoa and cotton. When the company was purchased by Uni Lever (then Lever Brothers), the Dutch-English multinational in 1920 assumed the major role of economic dominator.[2] Although the Colonial Policy of Britain was aimed at serving the needs of the failing empire, Britain spent funds or indeed used Nigerian resources to develop roads, railway and established a radio system. Britain later built airports and established mail and telephone systems. Although these were important to the development of a trade system for Nigeria, they were essentially built to connect the mining and agricultural parts of the country with the seaports, where goods were subsequently shipped to Britain.[3] Nevertheless this construction did provide a basis for both internal development.[4]

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[1]R. Olufemi Ekundare, An Economic History of Nigeria, 1860-1960 (New York: Africana Publishing Co., 1973), pp. 213-6.

[2]Woulter Tims, Nigeria: Options for Long Term Development (Baltimore: Johns Hopkins Press, 1974), pp. 9-13.

[3]International Monetary Fund, Survey of African Economics vol. 6 (Washington, 1975), o.268.

[4]Klalter Sewarz, Nigeria (New York: Praeger, 1968), p. 97.

As a British colony, Nigeria's foreign trade was developed for a variety of reasons: As a source of raw materials, as a source of cheap labour and as a source of new markets. Other reasons include the fact that the development of Nigeria's foreign trade generated domestic employment opoortunities. It acted as a basis for expanding domestic trade network as a basis for improving the infrastructure of the country, e.g., roads, railways shipping, construction, waterways and finally as a means of expanding industrial and agricultural production. To the British, Nigeria acted as a producer of raw materials and as a purchaser of foreign goods. Experts such as Schwarz and Ekundare have proven that Nigeria was unique in that it had a rich variety of natural resources, mineral or wide variety of crops, rich agricultural lands and a basic distribution system which, although considered primitive by European systems, was quite advanced for the African continent.[5]

The role of foreign trade in the development of the Nigerian economy has been expanded tremendously, due to the discovery and development of the oil deposits off the eastern coast of the country. Oil itself has played a major role in changing Nigeria from a poor nation, rich in agriculture and mining resources, into a super-power among sub-Saharan African nations.[6] As Herskovits points out,

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[5]Ukandi Godwin Damachi and Hans Dieter Scibel, Social Change and Economic Development in Nigeria (New York: Preager, 1973), pp. 39-44.

[6]Nigeria: A Giant to be Watched, Banker 125

Nigeria is the potential super-power of this part of the country.[7]

The development of the less developed nations of the world is handicapped by the traditional problems associated with the transition from a colonial status to that of an independent nation. Among these are the problems of an unequal balance of trade, lack of trained personnel and technicians, lack of expertise in a variety of areas and usually an excessive dependence upon one particular crop or industry. This is especially true throughout Africa. Even such prosperous nations as the Arab States are basically dependent upon one product - oil.

In such situations, the development of the nations is complicated, as Seidman points out, by the problems of local and national ideals and pride. This leads to making decisions which are often emotional reactions against the problems of previous times.[8] At the same time, the nations have the problem of trying to establish and maintain the basis for a new industry, often with a lack of expertise, the results of conflicts between the old and the new, between the economically less viable local industry and the multinational.

(August 1975), p. 970.

[7]J. Herskovits, "Nigeria: Africa's New Power," Foreign Affairs 53 (January 1975), pp. 329-30.

[8]Ann Seidman, Planning for Development in Sub-Saharan (New York: Praeger, 1974), Ch. 2.

Summary of the Chapters

Chapter two examines the changing composition of Nigeria's trade and the importance of oil as a source of foreign trade. This chapter argues that oil is at present, Nigeria's largest single source of revenue.

Chapter three observes the national and international importance of petroleum production in Nigeria. This chapter highlights Nigeria's world status as a petroleum producer and analyzes the extent of reserves gained by petroleum export.

Chapter four discusses the need to direct foreign exchange on petroleum export to the agricultural, transportation and communications sectors. This will increase national employment and decrease the country's unemployment problem.

The thesis has concluding section and appendix. The appendix discusses very extensively, foreign multinational corporations, their defects and the need for Nigerian government to nationalize them.

CHAPTER II

THE CHANGING COMPOSITION OF NIGERIA'S TRADE AND THE IMPORTANCE OF OIL AS A SOURCE OF FOREIGN EXCHANGE

Foreign trade is an important source of Nigeria's revenue. The value of Nigeria's domestic exports more than doubled in the ten years before the 1967 War, reaching $780 million by 1966. In the same period, the ratio of exports to gross domestic product rose from 15 percent to 17 percent, due to foreign exchange earnings from the growing oil industry.[1] Trade and international reserves are the nation's largest single revenue item. In 1976, Nigeria's exports stood at $10,390 million. In the same year, government oil revenue was estimated at $8,700 million and oil exports was placed at 2,101 (thousand b/d).[2]

There was a steady decline in imports in the ten years before the war. The imports rose thereafter by about 67 percent to $717 million. Nigeria moved from a position of trade deficit at the beginning to that of having a regular surplus.[3]

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[1] *Encyclopaedia Britannica*, Volume 13, p. 91

[2] Research Aid: *Handbook of Economic Statistics* Central Intelligence Agency, 1977, p. 21.

[3] *Encyclopedia Britannica*, Volume 13, p. 91

Although imports stool at $7312 million in 1976, the nation's international reserves were still $5,203 million. The table below gives an economic profile of Nigeria

Table I

Economic Profile of Nigeria, 1976

Population	64.7 million people
Percentage increase from 1975 ...	2.9
Gross National Product	$30.4 billion
Percentage increase from 1975...	6.5
Per capita income...............	$470
Industry (crude oil)...........	2070 thousand b/d
Trade and international reserve-exports...............	$10330 million
Government oil revenues	8700 million
Oil exports	2,010 (thousand b/d)
Imports	$7312 million
International reserves	$5203 million

Source: Research Aid, Handbook of Economic Statistics, Central Intelligent Agency, 1977, p. 21.

Nigeria's growing wealth and prosperity are largely due to international trade. It has today much more wealth available for economic development than it had barely twenty years ago and this has given it the opportunity to expand trade even further beyond its current boundaries. Compared with other developing nations, Nigeria's natural resources allowed it to maintain a favourable balance of trade even during its large scale civil war and the current world-wide economic recession.

Because of its resources, Nigeria is very confident of its ability to continue having a favourable balance of trade for many years ahead. This will help in modernization and industrialization, and allow the country to occupy a unique position in international trade markets of the future.

Table II below presents an interesting picture of Nigeria's trade balance. In the first place, the table shows Nigeria's growing economic prosperity as measured by its exports, imports and the overall trade balance from 1960 to 1976.

It shows a steady increase in Nigeria's exports during this period. As the nation's exports increase, so does its revenue and foreign exchange This has allowed imports to be significantly increased without generating a trade deficit.

The last row shows the trade balance. Although 1960 and 1965 show a trade deficit, 1970 to 1976 were the years of a significantly growing favourable trade balance. That is, these were the years in which Nigeria's export volume commodities exceeded its import volume.

Table II

Trade Balance of Nigeria

	1960	1965	1970	1971	1972	1973	1974	1975	1976
	Millions of U. S. dollars								
1. Exports	475	751	1240	1817	2147	3466	9205	8096	1033
2. Imports	604	770	1059	1515	1501	1865	2772	6035	731
3. Trade Balance	-129	-19	181	302	646	1601	6433	2061	N.A.

Source: Research Aid: Handbook of Economic Statistics 1977; 1 indicates page 55; 2 indicates page 56 and 3 indicates page 57, while N.A. indicates not available

The major factor responsible for the Nigerian balance of payments situation is its very enviable commodity-oil. Experts figure that it now accounts for nearly 85 percent of the nation's exports. This percentage is rising as more oil wells are discovered and mined and as the energy crisis continues to bite the world economy. Unfortunately, Nigeria is not selling the oil in any significant amount to its African neighbours. This is because its crude oil is of heavy viscosity and for this reason, is mainly suitable for heavy industrial use. Nigeria's less developed neighbours have little use for so heavy an oil, forcing Nigeria to sell its product to Europe and America.[2]

Nigerian oil has risen in price and value sharply. This is mainly due to the oil crisis in 1973 and the growth

[2] Ibid.

of the organization of petroleum exporting countries (OPEC) as a world force. This rising price in turn has made a significant improvement in the balance of payments for the nation.

The country also trades a number of other primary commodities. These include cotton, cocoa, groundnuts, palm kernels, skins, rubber, wood, vegetable- and groundnuts oils. These non-petroleum exports have a varied impact on the nation's balance of payments.

Table III below indicates that the most rapidly growing export commodity (by volume index) between 1963 and 1970 was cocoa, which experienced a 28 percent export volume increase. Cocoa also experienced the largest price increase as measured by the implicit price index. On the other hand, all other commodities except oil, experienced significant export volume decreases.

The decline or instability in the prices of basic commodities is a typical pattern of international trade. It is also responsible for the determinating terms of trade, faced by most developing countries. Fortunately, Nigeria has oil to offset the price declines in other export commodities.

SIT C Sections	Principal Crops		1963	1964	1965	1966	1967	1968	1969	1970
O&1	Cocoa	Value (£rl mil)	37.0	47.2	49.8	37.7	62.6	65.7	69.8	83.9
		Volume index (1963=100)	100.0	99.8	142.0	118.9	149.1	137.5	123.1	128.0
		Implicit Price index (1963=100)	100.0	128.0	95.0	86.0	113.0	129.0	153.0	177.0
2	Groundnuts Palm Kernels cotton & cotton seeds hides	Value (£N mil)	96.8	93.2	100.2	100.4	70.2	71.1	73.1	61.4
		Volume index (1963=100)	100.0	98.6	92.9	91.5	73.3	84.8	67.5	73.6
	Skins, Rubber, wood	Implicit Price index (1963= 100)	100.0	.98.0	111.0	113.0	99.0	87.0	112.0	86.0
4	Vegetable oils (ground nuts, palm and palm kernel	Value (£N mil)	16.1	19.4	24.3	24.5	12.4	12.9	15.3	16.5
		Volume index (1963=100)	100.0	183.4	125.1	137.2	32.4	78.2	75.8	67.4
		Implicit Price Index (1963=100)	100.0	66.0	121.0	111.0	238.0	102.0	125.0	152.0
0-2 4-9	All exports except crude oil	Value (£ mil)	164.6	178.3	195.1	185.5	164.7	169.0	183.6	183.5
		Value index	100.0	102.9	108.0	100.3	94.0	102.9	102.8	102.7
		Volume index	100.0	105.3	109.7	112.4	106.4	99.8	108.5	108.5
		Implicit price indes	100.0	108.3	118.5	112.7	100.1	102.7	111.5	111.5

Sources: Value figures, Review of external trade. Volume indices, Federal Office of statistics.

[4] Tims p. 57

It is the revenue from these resources that fueled the Nigerian economy and stimulated the government's desire to embark on a massive modernization programme.

Until recently, the composition of Nigerian trade was dominated by agricultural products.[5] In fact, during the first eight years of Nigerian independence, the petroleum sector of the economy made an insignificant contribution to the total output. Not until 1969 was this trend reversed (see Table IV below).

Table IV

Composition and Value of Nigerian Trade

In millions of current ₤N

	1950-2	1955-7	1961-3	1964-6	1967-9	1970-1[7]	1973-5[8]
EXPORT OF GOODS	105.9	122.6	173.8	252.0	253.4	558.4	813.9
of which:							
Cocoa	26.0	25.0	33.1	36.9	52.9	69.3	84.3
Groundnuts	15.0	27.0	42.0	51.9	50.3	30.9	45.3
Petroleum			16.9	64.0	80.2	373.9	569.9
IMPORTS OF GOODS	87.5	151.0	204.4	254.8	212.8	444.6	601.3
of which:							
Consumer	54.5	89.0	109.8	106.7	77.6	139.8	201.2
Producer	33.0	62.0	94.6	148.1	135.2	304.7	400.1
TRADE BALANCE	+18.4	-28.4	-30.6	-2.8	+40.6	+113.9	+212.8

[7]Those statistics through 1970 - 1 comes from Tims p. 17.

[8]The statistics from 1973 - 5 comes from economic indicators of Nigeria (Lagos: Nigerian Ministry of Economic Development, 1976) unpaged. *One Naira = $1.6 United States currenty.

[5]Tom Faren (ed.) Financing African Development (Cambridge, Massachusetts, MIT Press, 1968), pp. 203-4.

It must be remembered however that the markets for these agricultural products have varied considerably. In fact, in the year 1970, the market for groundnuts underwent a sharp decline while groundnuts production increased, causing export income to decrease.

Surplus revenues have allowed the nation to have a low debt ratio and a relatively high level of international reserves. Much of these revenues come from petroleum and have the effect of boosting the nation's foreign trade. Table V below, indicates international reserves of Nigeria.

Table V

International Reserves of Nigeria
Million U.S. dollars

	1960	1965	1970	1971	1972	1973	1974	1975	1976	%change
Nigeria	343	239	222	429	376	583	5626	5803	5203	

The percentage change between 1971 and 1976 is 11.12

Source: Research Aid: Handbook of Economic Statistics 1977, p. 38

The petroleum impact started to emerge in the late 1960s; many years later than estimated. This delay was caused by the Civil War of 1967-1970, when a section of the country (Biafra) attempted to seceed and form a new nation. After 1969, and as the constituted government of the country regained the upper hand in the conflict which ended in January 1970, oil revenues began to soar to their present heights, and took another large jump in 1974.[9]

The income from petroleum exports has been used to free government controls on imports and has allowed the removal of tight exchange restrictions. The latter was an important component of the government's attempt to maintain a favourable balance of trade. Petroleum revenues also help to liquidate large short-term commercial liabilities that Nigeria incurred during the Civil War and the generation of income to meet the social and economic needs of the country in a positive manner.[10]

Table VI

The Impact of Oil on the Balance of Payments[11]
(In million £N)*

	1968	1969	1979	1971
Production (million barrels)	52.0	197.0	396.0	558.0
Gross Export Value	37.8	130.8	254.7	489.1
Import of Goods and Services	38.5	134.7	199.8	279.6
Current Account Balance	0.7	3.9	54.9	209.5
Net Capital Inflow	28.7	57.2	77.0	83.3
Net Petroleum Impact	28.8	53.3	131.9	292.8

*One Naira equals 1.62 U.S. currenty.

It is estimated that the nation's favourable balance of payments will remain several years. This balance must be properly exploited in order to enable the country to modernize and industrialize in a planned and logical manner. It is the

[9] "Steady Increase in Oil Exports Keeps Nigeria's Economy Booming," Commerce Today 3 (January 8, 1973), pp. 41-2.

[10] Tims, p. 54.

[11] Ibid., p. 55.

duty of the government to make some hard decisions as to what direction the economy will take, and which areas to develop while the balance is still favourable.

CHAPTER III

THE NATIONAL AND INTERNATIONAL SIGNIFICANCE OF PETROLEUM PRODUCTION IN NIGERIA

Experts figured that in 1974, Nigeria was the largest exporter of petroleum in Africa and fifth largest exporter in the entire world. The output of crude petroleum which began in the late 1950s reached some eight hundred and twenty-five million barrels in 1974, approximately two million three hundred thousand barrels a day.[1] Production increased very rapidly as more wells were drilled in swamp and rain forest of Southern Nigeria. By 1966, twenty million five hundred thousand tons of crude oil were extracted.[2] Shell-BP and its competitors had by 1966 drilled six hundred and twenty-seven wells.

The Nigerian output of crude oil continued to grow in the 1960s at a rapid pace. When Civil War broke out in 1967, the secessionist province of Biafra took most of the petroleum producing area with it in its futile bid for independence. Under those circumstances petroleum output,

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[1] International Monetary Fund. Survey of African Economies, Vol. 6 (Washington: IMF, 1975) pp. 304-5.

[2] Luolwing H. Schatzl, Petroleum in Nigeria (Ibadan: Oilford University Press), p. 186.

which in 1966 totaled one hundred and fifty-two million barrels, dropped to fifty-two million barrels in 1968.[3]

When the war ended in 1970, the rate of production reached nearly four hundred million barrels. The tremendous influx of foreign capital is primarily responsible for this rapid change. Table VII below gives the total daily output of oil for various companies operating in Nigeria.

Table VII, Nigeria's Daily Oil Production, 1977

Company		Barrels Per Day
Shell BP		1,300,000
Gulf		320,000
Mobil		270,000
Agip		260,000
ELF		80,000
Texaco		55,000
Pan Ocean		11,000
NNPC/Ashland		10,000
	Total	2,306,000

Source: Nigeria-American Economic Relations 1978, p. 42.

As an early member of the organization of Petroleum Exporting Countries (OPEC), Nigeria has constantly and considerably raised prices of its oil as well as changed the terms it demands of its concessionaires in regard to royalties and in regard to development and regulation of ownerships of the country's oil developers.

[3]International Monetary Fund, p. 304

Table VIII lists the oil and gas companies operating in Nigeria as of 1977.

Table VIII: The Oil and Gas Industry of Nigeria

Aero Contractors Company of Nigeria LTD.	Camco LTD.
AGIP (Nigeria) LTD.	Cameron Iron Works (Nigeria) LTD.
Ajosi Oilfields Supply Company LTD.	Chemex (Nigeria) LTD
Allied Oilfield Services (NIG) LTD. (AOS)	Chiyoda Chemical Engineering & Construction Co.
ARAX Airlines LTD.	Coastal & Offshore Plant Systems, Inc.
Ashland Oil (Nigeria) Company	Construction Metalliques De Provence (CMP)
B&W International	Cotsgas (Nigeria) LTD.
Baker Nigeria LTD.	Delta Oil Company of Nigeria LTD.
Baroid of Nigeria LTD.	Deminex (Nigeria) LTD.
Drilling Chemicals Products, LTD.	Dowell Schlumberger (Nigeria) LTD.
Bonny Oil & Gas Industries (NIG) LTD. (BOGI)	Earth Sciences LTD.
BP Nigeria LTD.	Ente Nazionale Idrocarburi (ENI)
Bristow Helicopters (Nigeria)LTD.	
Brown & Root Nigeria LTD.	
Dresser Nigeria LTD.	
Dresser Mafcobar Minerals LTD.	
Elf Nigeria LTD.	
Flopetrol Nigeria LTD.	

Source: Nigerian -American Economic Relations, 1978, pp. 42-44.

The increase in the price of oil has increased the country's revenue and foreign exchange. It is important to note that Nigeria has been and still is an agricultural nation. It is rich in both land as well as in oil. It is the most populace nation in Africa, South of the Sahara, with relatively the best standard of living.

When the oil runs out, Nigerians will have ample resources in the field of agriculture. Previously, Nigeria's main export crops were rubber, cotton, timber, coffee, ground-nuts and cocoa. Only recently did the value of oil as an export commodity exceed that of agricultural commodities.

The government is using oil wealth to improve the production of the above export crops which will in turn increase Nigeria's foreign trade, and employment. Nigeria's good international shipping connections and secure supply routes have allowed it easy access to international markets. The fact that it has a good infrastructure of telephone, telegraph, mails and several main roads to most areas of the country has facilitated investment and operations of the giant oil companies.

The major factor responsible for the operations of the petroleum companies has been the quality of Nigerian oil. As experts observed, its low sulfur content and heavy weight makes it suited for use in the Americas and Europe. But the same qualities preclude its use in most of the African markets. As a result, Nigerian oil has come into increased prominence in the international and global scene.

Marketing by the concessionaires has not been a problem. Shell-BP has preferred to send its Nigerian oil to Europe rather than send Middle East oil.

Table below indicates the countries which import the major of Nigerian pretroleum. It can be seen that the greater part of exports of crude oil and refined products of Nigeria go to United States, 1,120 thousand barrels per day. Comparatively, other countries import an insignificant quantity of Nigerian oil.

TABLE IX

Import of Nigerian Crude Oil and Refined Product 1976

	Thousand Barrels Per Day Nigeria
United States	1,120
Japan	17
Canada	36
Total	1,173

Source: Research Aid, Handbook of Economic Statistics. 1977, p. 81.

Currently, eighty-five percent of the employees of the corporations are Nigerians. The reason for the increase in the level of employment is that Nigeria is controlling a greater share of the oil production (55 percent). This increased employment ranges through each and every level of management and labour.[4] Wages and salaries currently account for twenty percent of the expenditures of these corporations (Shell-BP, Gulf, Mobil, Texaco, Chevron and Phillip/AGIP). This created a tremendous demand for consumer goods and services and thereby generated additional domestic employment. In 1955, it was estimated that the average per capita income of Nigeria was under one hundred dollars (U.S.). By 1960, it has risen to one hundred and twenty eight. By

[4]Herskovitz, p. 325.

1966 before the Civil War, it reached one hundred and seventy-eight (U.S.) dollars per capita. In the years of Civil War (1967-70), it sagged. Afterwards, it again increased and reached an estimated two hundred and nineteen dollars (U.S.) by 1974.[5]

The success of the oil investments and the favourable climate for industry created by the federal government of Nigeria caused the introduction of the new areas of investment primarily by international interests. Nigeria is seen by Herskovits as the future giant of Africa. Thousands of industrial firms have expressed their interest in setting up branches in the country.

Income from oil industry has allowed Nigeria to embark on extensive and expensive development programmes. It has also led to the introduction of free primary education in the country and arrangements for its introduction up to the university level. Oil and natural gas are continuing to dominate the economy, and the governnent is successfully exploiting and directing the profits from this area. Now that the Nigerian government is taking more and more of the oil production into its hands, it will have a chance to dominate and direct its own economy to a greater degree than it did before.

The government is not interested in increasing the oil production beyond the present high level of two million,

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[5]Paul Bairoch, <u>Economic Development of the Third World Since 1900</u> (London: Methuen), p. 234.

four hundred thousand barrels per day. Instead, it is concentrating on building refineries. In this way, it seeks to accelerate its use of oil production as a way of expanding its industrial base and raising the standard of living of its people. Nigeria also plans to use income from oil to expand its influence in Africa.

Currently, petroleum accounts for nearly eighty-five percent of the exports of Nigeria and for over fifty percent of the governmental revenues. As exploration is still in the early stages, it is possible that more oil wells will be discovered. Since natural gas has been discovered side by side with oil, it is quite certain that Nigeria will be one of the world's leading exporters of fuel for several years.

Although it can be argued that the income from petroleum will bever be enough to sufficiently meet the needs of the densely-populated and still poor nation, it has allowed the nation the luxury of being able to plan development, to limit outside participation in the economy and to proceed with plans to make Nigeria an independent nation.[6]

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[6]Herskovitz, p. 315.

Table X

Contribution of Petroleum Sector to the Nigerian Economy

1964-71[7] (In millions of ₦N)*

	1964	1966	1968	1970	1971
Gross Proceeds	33	101	38	265	508
Value-Add (Factor Costs)	15	76	17	208	450
Wages and Salaries	2	3	2	4	6
Government Income	11	16	15	81	248
Investment Income	1	57	--	123	196
Value-add as % of Total GDP	(1%)	(5%)	(1%)	(9%)	(17%)
Net Foreign Exchange Earnings	25	43	29	132	293
As % of total imports of Goods, NFS	(9%)	(14%)	(11%)	(28%)	(47%)

*One Naira is 1.62 United States currency.

Petroleum is by far the most forceful sector of the Nigerian economy. This is reflected in the table above. Its role in the expansion of the Nigerian economy cannot be underestimated.

Future production of petroleum can follow one of the two forms: The government can either limit the amount of production now, thus increasing the future income, or it can seek to acquire a greater equity in the production.[8] Nigeria

[7] Tims, p. 72.

[8] S. Smith, "Extension of the Rent-for-Surplus Model in Relation to Long-run Structural Change in Nigeria," Oxford Economic Papers 28 (November 1976), pp. 430-3.

is a member of the Organization of Petroleum Exporting Countries (OPEC). By the OPEC agreements, Nigeria reserves the option of raising the price or the production of oil. Through a gradual programme, Nigeria has shown signs of taking over the production and the ownership of the means of production of petroleum. Although the government has not nationalized the petroleum industry, through a complex planning programme, it is slowly achieving nationalization.[9]

Meanwhile, petroleum production in Nigeria is a joint venture of Royal Dutch Shell and British Petroleum. These companies first initiated the search for and development of the petroleum basins in the country. Presently, there is little refining of petrol in Nigeria. But plans are being completed for future large scale development in this area. One drawback has been the lack of an indigenous African market for the heavy oil, thus making refining a marginal activity.[10]

In spite of excellent prospects for continued growth, there is serious concern in both political and economic quarters about the overwhelming dependence on oil to bring in foreign revenues. As games-playing is not relatively practiced in Nigeria, the doubt as to what would happen if there were natural disaster, the one that would reduce the

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[9]Ibid.

[10]Peter F. Drucker, "Multinational and Developing Countries," <u>Foreign Affairs</u> 53 (October 1972), pp. 121-34.

production of oil to a stand-still has raised serious concern among planners who point out that now, Nigeria is bound to collapse should there be any interruption in the foreign exchange, brought in by petroleum.

It would seem that Nigerian independence was founded upon black gold-on oil, and it is this very one commodity which is the nation's economic backbone for the future. Although oil has moved to a commanding position in the economy and is also the bulk of Nigerian exports, it employs very few individuals. With governmental pressure, Royal Dutch Shell and British Petroleum are training many Nigerians both at the lower and middle management level, as well as moving them into positions of authority in the actual production. However, the numbers are quite small.[11]

The impact of petroleum in Nigeria's economy is increasing. For this, Nigeria must utilize it as a means to an end. Now, petroleum is an added advantage of Nigeria's superiority in West Africa, and it is figured that in the very near future, the Nigerian nation may become the most important nation in Africa. With an increasing petroleum production, and the income and foreign exchange it brings, it will in turn form the largest and most important of the African exports, the most single important aspect of the Nigerian economy and the cruical indicator of wealth. Both Nigerian government and economists have come to terms that without pertroleum and the attendant foreign exchange,

[11]Herskovits, p. 330.

Nigeria would be a poorer nation.

Petroleum has allowed Nigeria to control both its future and to an extent, external aspects of its development. It has given the nation the influence in regulating international trade and the multinational corporations and it has most importantly helped Nigeria to develop, very uniquely, its economy.

CHAPTER IV

THE NEED TO DIRECT FOREIGN EXCHANGE ON PETROLEUM EXPORT TO THE AGRICULTURAL, TRANSPORTATION AND COMMUNICATIONS SECTORS

In the period between 1945 and 1965, Nigeria's exports increased threefold, while imports increased nearly eightfold.[1] This export boom reflected not only oil (which took its largest jump in the post 1965 period), but also groundnuts, cocoa, rubber, timber and cotton.[2]

It is reasonable to believe that though the volume of exports constantly increased, the prices of the commodities exported, did not always increase because of the world price fluctuations. This resulted in adverse side effects on industrial development and employment in the country.

One of the most important points of analysis in Nigeria is the employment problem. Like most developing nations, Nigeria appears to be two nations in one, namely, one urban and developing into a modern industrialized nation, and the other agrarian in nature, with a relatively conservative and traditional mode of production. At the present time, subsistence farming, as well as traditional pursuits

[1]Tims, p. 16

[2]Ibid.

of hunting and fishing engage a large percentage of the population which is largely agrarian and semi isolated within tribal and ethnic group.[3]

Presently however, development of industry in the urban areas of the country has occupied the attention of the government. The oil wealth, with its overwhelming revenue has been a major factor in economic development of Nigeria. The government, with its modernistic aims has since directed the use of the oil revenues to improve greatly, the existing industrial base (and had also projected into other areas). Nigeria, like Saudi Arabia, is using its oil revenues to finance its modernization projects which (it is hoped) will help it to leap from a situation where much of the population lives and works. The means of accomplishing this is international trade. It is this trade that enables Nigeria to import Western goods, services and technologies.

But profound social, economic, as well as political pressures are at work to bring a large population into urban areas, where they represent a serious unemployment and social problem. Uneducated and untrained, they are often unprepared to deal with the complexity of urban life. The rapid course of modernization has called for a large infusion of technicians from abroad to ensure the growth of investment

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[3]Robert Melson, <u>Nigerian Modernization and the Politics of Communalism</u> (East Lansing: Michigan State University Press, 1971), p. 144-5.

and industry and to train Nigerians.[4]

Regardless of the fast modernization, industrialization and urbanization, the long-run future welfare of the nation lies not so much in oil production, but in the exploitation of agricultural and non-petroleum minerals and natural resources.

Table XI on the following page illustrates the limited capacity of Nigeria to produce oil indefinitely into the future. Currently, it ranks eight among oil-producing nations with respect to its proven oil reserves. In order to develop other areas, there is a need for improvement in agricultural production, storage, transportation, marketing and communication facilities.

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[4]Nigeria, Giant to be Watched, p. 970.

Table XI

Data on Nigeria's Crude Oil Reserves
Relative to Other OPEC Countries. 1976

OPEC COUNTRIES	CRUDE OIL MILLION BARRELS
Nigeria	19,000
Abu Dhabi	32,000
Algeria	7,000
Congo	400
Ecuador	2,000
Egypt	4,000
India	2,000
Indonesia	14,000
Iran	60,000
Iraq	36,000
Kuwait	7[illegible],000
Libya	25,000
Mexico	25,000
Oman	6,000
Qata	7,000
Saudi Arabia	158,000
Syria	2,000
Venezuela	14,000

Source: Central Intelligence Agency Handbook of Economic Statistics 1977

A major problem facing Nigeria's foreign trade has been that of a lack of adequate storage facility. Many ships berth at Nigerian ports with imported Nigerian goods for more than four months without unloading them. Goods remain and rot in the ships. This action constitutes a heavy financial loss to the nation and causes considerable strain on employment and development.

This is the result of the ill-advised buying spree by leaders of the country in the early 1970s. Goods, materials and foods were ordered in large quantities without giving considerations to the availability of manpower and storage facilities in Nigeria. This created one of the most memorable shipping jams in modern industrial history. Some ships (which could unload at only one existing deep port in the nation) waited as long as two years to unload their cargo. Concrete solidified in the ships, machinery rusted in the salt air, foods and goods spoiled and rotted. Materials unloaded were stranded since too few facilities existed to store them. The factories and businesses for which they were destined were not built (the building materials were still waiting to be landed) and chaos ensued.[5]

The current and future role of foreign trade in the development of the nation is shown in Table XII (on the following page) from 1973 actual and projected world bank

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[5]Nigeria, Giant to be Watched, p. 970.

data.[6] Table XII gives a picture of the extent to which oil has been an important export commodity relative to all others, in the past.

Table XII
Absolute Growth Rates

Indicator	*Absolute Level 1978/79	**Growth Rates 1966/67 1973/74	*1973/74 1978/79	*1978/79 1983/84
₦ Million (1970 Prices)				
GNP	4,200-4,400	6.0	7.0-8.5	7.5-9.0
Population (million)	85	2.6	2.65	2.7
GNP Per Capita (US$)	150-160	3.2	4.5-6.0	4.5-6.0
Investment	950-1,100	12.7	7.0-10.5	9.0-11.0
National Saving	650-800	11.2	6.5-9.5	4.5-6.0
₦ Million (Current Prices)				
Exports of goods & NFS	1,565	18.6	9.0	6.5
of which petroleum	1,325	35.0	10.5	7.0
Imports of Goods & NFS	1,100-1,250	13.2	7.5-10.0	9.0-11.0
Net Factor Payments Abroad	420-450	19.8	8.5-9.5	5.5-6.0

Source: Tims, p. 7.

**Actual data
*Projected data

[6] Tims, p. 7.

VALUE OF EXPORTS BY MAJOR COMMODITIES, 1958–71

(million of £N, f.o.b.)

	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971[a]
Groundnuts	27.0	22.5	22.9	32.2	32.4	36.6	34.3	37.8	40.8	35.4	38.0	35.8	21.7	12.1
Groundnut oil	3.7	4.6	5.3	5.0	6.2	6.5	8.1	10.0	10.0	7.2	9.5	10.9	11.6	6.4
Groundnut cake	1.2	1.7	1.6	1.9	2.5	2.7	4.6	5.3	4.7	4.2	4.9	5.0	5.5	3.4
Cocoa	26.7	38.3	36.8	33.7	33.4	32.4	40.1	42.3	28.3	54.7	51.5	52.6	66.5	71.6
Petroleum crude oil	1.0	2.7	4.4	11.5	16.7	20.2	32.1	68.1	92.0	72.1	37.0	130.9	254.9	476.5
Palm kernels	20.5	26.0	26.1	19.9	16.9	20.8	21.0	26.5	22.4	7.8	10.2	9.8	10.9	13.0
Rubber	7.6	11.6	14.2	11.0	11.4	11.8	12.2	11.0	11.5	6.3	6.3	9.6	8.8	6.2
Raw cotton	7.8	7.3	6.2	11.1	5.9	9.5	6.1	3.3	5.2	6.5	3.3	3.4	6.6	5.5
Hides and skins	2.6	4.2	4.5	4.1	3.8	4.2	4.6	4.6	5.8	4.4	4.0	4.2	2.9	2.4
Palm oil	12.7	13.8	14.0	13.2	8.9	9.4	10.8	13.6	11.0	1.3	0.1	0.4	0.6	1.7
Tin metal			–	–	–	–	–	–	15.4	13.0	13.7	13.9	16.6	12.4
Timber and plywood	6.3	7.4	8.3	7.9	7.0	8.0	8.5	7.2	6.8	4.3	4.3	5.2	4.0	3.5
Other exports	15.7	20.4	21.3	18.6	18.9	22.8	28.1	33.5	24.8	20.9	23.7	32.9	27.9	25.7
Total exports	132.8	160.5	165.6	170.1	164.0	184.9	210.5	263.2	278.7	238.1	206.5	314.6	438.5	640.4

[a]Provisional.

Source: Federal Office of Statistics.

Percentage Change between 1967–71

.34
.89
.8
1.3
6.6
1.7
.98
.85
.55
1.3
.95
.8
1.[illegible]
2.7

The projections clearly indicate that an increased performance on the part of sectors other than petroleum is not only possible, but is essential to the economy of the nation, and to industrial development. A huge surplus of payments will accrue to the government, a surplus that is earmarked for education and training. Adequate governmental planning in the non-petroleum sectors of the economy will determine the employment situation of the nation in the years ahead. If Nigeria is using revenues efficiently to develop and modernize the economy, it will have solved the industrial economic question. But if it does not do so, the problems will only increase. Even if it were relatively easy to achieve a large increase in the per capita income, primary concern is still whether or not the nation will be able to transform the potential resources of the country into a general rise in the standard of living and to balance the other non-petroleum sectors of the nation so that when the oil runs out, there will be other areas of revenue, other sources of employment and trained people to manage them.

Let me go back to discuss in detail, several points mentioned above. These are, improvement in agricultural production, adequacy of storage, transportation, marketing and communications facilities. I consider these to be important factors influencing foreign trade, industrial development and employment.

There has not been any significant improvement in Nigeria's agricultural production. The reasons can be attributed to inadequate planning and coordination at both the federal and state levels. The power and responsibilities of the federal Ministry of Agriculture and Natural Resources was limited to research. It is only recently that the ministry is looking into the overall agricultural administration. Another impediment to agricultural development is that the links between the federal and the state ministries of agriculture are relatively weak. This creates another difficulty in monitoring the implementation of projects in the development plan. Presently, Nigeria is in dire need of qualified agricultural personnel. Shortage of qualified personnel is another factor hindering the nation's agricultural development. Agricultural development needs efficient planning and preparation which requires qualified agricultural specialists. At present, Nigerian agriculturalists have on the average only twelve to eighteen months training from junior local institutions. This type of experience is inadequate in enhancing overall agricultural efficiency.

Tables XIV and XV illustrate the adverse effect of low price incentive in encouraging producers to increase the agricultural output and thereby is responsible for the declining importance of such commodities in the value of exports.

(£N per long ton)

	Cocoa[a]	Rubber[b]	Palm Products[c]			Groundnuts[d]		Seed Cotton[e]		
			Palm Kernel	Special Palm Oil	Technical Palm Oil	e	f	NA1	NA2	NA3
1960	156	203	29	53	44	36. 8.3	45. 4.6	56.4	51.8	47.1
1961	108[g]	186	29	53	44	37. 8.3	46. 4.6	56.4	48.1	47.1
1962	96	189	25	40	34	33.13.3	43.11.6	49.9	32.7	n.a.
1963	101	158	25	40	34	30. 6.9	40. 5.0	44.8	51.3	n.a.
1964	106	165	27	41	35	30. 7.9	40. 5.0	44.8	48.1	n.a.
1965	116	165	27	41	35	32.13.3	42.14.6	46.7	41.1	36.4
1966	61	141	27	41	35	34. 3.3	43.11.3	47.6	42.0	37.4
1967	86	140	27	41	35	34. 4.3[i]	43.11.3[j]	45.8	40.2	35.5
1968	91[h]	160	27	41	35	29. 0.0[k]	38. 7.0[k]	43.0	37.4	32.7
1969	146	181	27	41	35	26. 0.0	40. 4.4	56.0	46.7	42.0
1970	151	148	29	41	35	28.18.0	40. 4.4	56.0	46.7	42.0
1971	n.a.	n.a.	30	44	37	33.16.0	40. 4.4	56.0	46.7	42.0

Source: "Cocoa Marketing in Nigeria" by H.C. Kriesel, CSNRD-21, Jan. 1969. Report of the Study Group on Groundnuts, NADC (June 1971). Recast and Summary of Report of the Palm Committee appointed by the Federal Government of Nigeria. Report of the Study Group on Cotton and other Fibres, NADC (June 1971). "Cotton Marketing in Nigeria" by H.C. Kriesel, CSNRD, Dec. 1968.

Notes: [a]Average price paid by Western State Marketing Board after deduction of produce sales tax (£N 4/ton).

[b]Average world price CIF London, Nigerian rubber prices are not set by market boards.

[c]Minimum produce prices set by Western and Mid-Western states marketing boards after deduction of produce sales tax (£ N1per ton).

[d]Standard Grade.

[e]Northern States Marketing Board net buying price after deducting produce sales tax per ton of shelled nuts at Kano buying station.

[f]Produce prices set by Northern States Marketing Board before deduction of produce sales tax.

[g]Reduced from £ N156 to £ N108, January 1961.

[h]Raised to £ N101 in mid season.

[i]Subgrade price for 1967 – 32.4.3

[j]Subgrade price for 1967 – 41.11.3

[k]Prices shown are for exportable grade.

[l]Produce prices paid by Northern State Marketing Board after deducting produce sales tax (0.15 pence/lb up to 1967/68 and 0.175/lb thereafter.

QUANTITY AND UNIT VALUE OF PRINCIPAL EXPORT COMMODITIES, 1958–71

	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971[a]
(Quantities in '000)														
Groundnuts (tons)	513	497	332	494	530	614	544	512	573	520	638	517	287	[illegible]
Groundnut oil (tons)	40	48	47	45	63	69	80	91	108	71	109	100	89	[illegible]
Groundnut cake (tons)	58	61	53	75	88	85	139	113	133	131	171	168	160	[illegible]
Cocoa (tons)	87	143	154	184	195	175	197	255	190	242	206	171	193	[illegible]
Petroleum oil (tons)	245	538	828	2,224	3,368	3,695	5,783	13,020	18,945	14,774	6,890	26,867	50,883	[illegible]
Palm kernels (tons)	441	430	418	411	367	398	394	416	394	163	159	176	182	[illegible]
Rubber (tons)	41	53	57	55	60	63	72	68	70	48	52	56	58	[illegible]
Raw cotton (tons)	34	37	27	46	23	40	25	14	23	33	14	14	28	[illegible]
Cotton seed (tons)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	66	63	29	42	95	[illegible]
Palm oil (tons)	171	184	183	165	118	126	134	150	143	16	3	8	8	[illegible]
Tin metal (tons)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	11	10	11	10	11	[illegible]
Timber and plywood (cu. ft.)	18,075	22,086	24,983	23,258	19,318	23,077	24,858	19,555	18,896	11,598	11,353	12,133	8,478	[illegible]
Hides and skins (cwt.)	200	230	230	240	215	185	180	172	163	150	144	144	102	
(Average Unit Value)														
Groundnuts (£/tons)	52.5	55.3	68.9	65.2	61.18	59.6	63.0	73.8	71.2	68.1	59.5	69.2	75.8	[illegible]
Groundnut oil (£/tons)	93.7	96.4	113.2	110.9	98.05	94.9	101.7	110.0	92.8	101.2	86.6	109.6	131.1	[illegible]
Groundnut cake (£/tons)	20.3	27.7	29.4	25.7	27.86	32.2	33.3	46.5	35.4	32.2	28.7	29.8	34.6	[illegible]
Cocoa (£/tons)	300.5	267.8	238.8	183.4	171.01	184.9	203.6	167.4	148.6	223.9	251.7	307.8	345.1	[illegible]
Petroleum oil (£/tons)	4.0	5.0	5.3	5.2	4.97	5.5	5.5	5.2	4.9	4.9	5.4	5.0	5.0	
Palm kernels (£/tons)	46.4	60.4	62.3	48.4	46.01	52.3	53.2	63.8	56.9	48.0	64.0	55.4	59.6	[illegible]
Rubber (£/tons)	185.1	217.5	248.8	200.0	190.43	186.7	168.8	161.9	163.3	132.6	121.6	171.0	150.5	[illegible]
Raw cotton (£/tons)	232.8	198.0	230.1	239.7	252.07	238.1	241.2	243.8	231.3	197.3	232.6	239.2	235.8	[illegible]
Cotton seed (£/tons)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	28.4	29.9	31.0	24.1	22.2	[illegible]
Palm oil (£/tons)	74.1	75.0	76.4	80.2	75.74	74.3	80.3	90.6	76.6	76.5	42.6	54.2	75.4	[illegible]
Tin metal (£/tons)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1,342.0	1,255.2	1,215.8	1,377.0	1,547.0	[illegible]
Timber and plywood (£/cu. ft.)	0.35	0.32	0.33	0.34	0.36	0.34	0.36	0.38	0.35	0.36	0.37	0.42	0.47	[illegible]
Hides and skins (£/cwt)	n.a.	n.a.	n.a.	n.a.	17.7	30.2	34.6	35.5	35.3	29.1	27.8	29.0	28.5	[illegible]

[a]Provisional.

Source: Federal Office of Statistics.
Note: n.a. - not available.

This is an added constraint to agricultural development in the Nigerian economy. Banks in Nigeria had sponsored research to help the nation out of this difficulty. Banks recommended: (1) an increase in the executive and planning capacities of the state governments and (2) improving federal-state links in agriculture and developing sufficient numbers of qualified personnel to staff agricultural organizations and programmes. The study also made detailed recommendations designed to insure that improved techniques and inputs, fertilizers, credit, research and extension services are taken up by the agricultural sector. The study also outlined a strategy and programme for development whose long-term objective would be to transform agriculture from its present low technology, semi-subsistence character to a more modern, market-oriented one, based on greater regional specialization.

In order to counteract the above problem, His Excellency Lt. General Olusegum Obasanjo, Head of the Nigerian Federal Military Government and Commander in Chief of the Armed Forces had this to say in part, on Friday, March 31, 1978 Budget Speech:

> "... despite the difficulties caused by the scarcity of resources during 1977, substantial achievements were made in the implementation of several major projects under the Third National Development Plan. Among the most notable is the Tin Can Island Port Complex, a project that was boldly conceived and similarly executed in record time. A magnificent achievement by all standares, this project has increased the Lagos ports capacity by ten additional berths. Among many of the immediate benefits yielded by Tin Can Port is the decongestion of our ports and

> the substantial reduction in the expensive mid-stream discharge of imported cargo and the elimination of the demurrage ...."

The government, realizing the importance of modern transportation to trade, industry, and development, has stepped up action to repair the damaged roads, bridges and rail lines and to add many more new ones.

The nation's poor transportation system was further disrupted by the Civil War. Roads, bridges and rail lines were not only destroyed in the war's affected areas but also elsewhere in the country.

All the states in Nigeria have their own respective marketing boards. The main objective of establishing marketing boards in the country was to stabilize prices earned by farmers and to improve the marketing organization of agricultural export crops such as cocoa, groundnuts and cotton. The marketing boards have been used during the nineteen sixties as a convenient instrument for taxing agriculture. As a result, the return to the farmers engaged in the production of these export crops was low.

Recently however, producer prices in cocoa, groundnuts and cotton have increased but to no significant extent. The Marketing Board System has been criticized for operational inefficiencies. The major items of expense are the buying allowances to licensed buying agents, transport costs and general administrative expenses. The inefficiencies are the result of lack of trained personnel, which has in turn affected industrial development of the country.

Postal and internal telecommunication services of Nigeria are run by a federal government department, while international telecommunications are provided by Nigerian External Telecommunications Limited, jointly owned by government and a private company. The services are not particularly efficient. The inefficiencies as we would expect are largely atrributable to the problem of managing a large labour force, insufficiently trained and qualified personnel. The shortage of internal telephone and cable services constitute a very serious problem affecting both the efficiency of the public administration and that of the economy as a whole.

Nigeria would have earned more income from agricultural products if these products were sold in finished form. The income should have been used to increase national employment both in agriculture and in factories where those raw materials are manufactured into finished goods. With regard to demand for these goods, Nigeria has a great advantage because of the tremendous market potential of its population. By its position and size, Nigeria could become Africa's industrial center. Africans as a whole, should enjoy relatively cheap prices for those goods because they are within easy reach and therefore transportation costs would be relatively low.

It is true that these cannot be done overnight.

The country and indeed the continent of Africa has transportation problems both internal and external. There are few truck roads and existing ones are only a few mile long and fail to connect all the important towns and cities. Some roads are only limited from where goods are produced to seaport or railway terminus. Only two seaports in Nigeria are of international commercial value. Others are of minor importance while the rest are not developed at all. The rail lines are only single track and the existing roads and rail lines do not open up the country to any significant extent. There are insufficient storage houses for goods awaiting shipment and insufficient room for the arrival of the imported goods.

Telegraph and telephone communications are restricted to important towns and cities and are very few and of a poor quality. These factors have a severe adverse effect upon internal and international trade and development and place further constraints on the balance of payments.

For the country to enjoy a high standard of international trade, much work should be done in the areas of transportation and communications, and the training of personnel to man these areas. Fortunately however, Nigeria's recent budget and national planning had given the above factors first available priority.

CHAPTER V

CONCLUSION

From its emergence as a British protectorate, Nigeria has come a fairly long way. In many respects, the British did much to lay the groundwork for the present nation. But primarily, its rich endowment of petroleum accounts for the wealth and influence the nation is now currently experiencing. It is the discovery and development of this petroleum that has allowed Nigeria to reach its potential decades ahead of other African nations.

Foreign trade, especially in petroleum, has played a crucial role in the development of Nigeria and its very survival as a nation. It's trade has enriched the nation almost beyond bounds and will continue to do so for many years ahead.

But the nation itself has the responsibility to look beyond the immediate oil boom to the future. The oil has served as a basis for growth and development of the nation. It has also created the potential for Nigerians to control the destiny of their country This is a unique situation for a less developed nation. The way in which foreign trade is handled in Nigeria, coupled with the decisions made as to foreign exchange, foreign ownership and Nigerian participation, are the decisions that hold the key to Nigeria's future.

Within these decisions, the future will be won or it will be lost for this young and aspiring nation. By insisting upon the development of the other aspects of the economy and attempting to create an industrialized modern nation, the leaders of Nigeria are opting to control the foreign trade situations of the future, and ensure that it will be favorable. Their decisions are crucial. In the conclusion of the summary of the options for long-term development of Nigeria, the World Bank has this to say:

> The overriding conclusion with respect to Nigeri's economic prospects are that the opportunity now exists to achieve a significant increase in per capita income within a relatively short time - span of 10-15 years. To translate the country's potential resources into a permanent improvement in the general standards of living it is essential that policies and strategies be adopted during the coming years....[1]

These policies will determine Nigeria's future.

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[1]Tims p. 8.

APPENDIX I

THE IMPACT OF FOREIGN INVESTMENTS ON NIGERIA'S BALANCE OF PAYMENTS

Nigeria needs and welcomes foreign investors, and at the same time is suspicious of the power and control they represent. Multinational corporations are, generally speaking, primarily concerned with locating in areas that can provide them with raw materials and markets for the sales of their goods. Nigeria satisfies these conditions. Multinational corporations are operating in Nigeria not with the aim of helping the country per se, but rather with the intent of generating profitable lines of investment. All manufacturing activities that take place in Nigeria are monopolized by foreign multinational corporations. For example, crude oil accounts for 85 percent of Nigeria's export, yet 70 percent of the oil production is run by the powerful multinationals. These include Shell and British Petroleum, working together.[1]

Multinational Corporations involvement in Nigeria can be dated back to the colonial days of the late nineteenth century, when British firms established trading

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[1]Edith T. Penrose, The Large International Fimi in Developing Countries, (Cambridge, Mass.,: M.I.T. Press 1968) p. 76.

posts, mines and farms in the country. By 1900, Nigeria sent 46.2 percent of its exports to the United Kingdom largely through the Niger Company and received over seventy percent of its imports from the Britist Isles.[2]

In this century, Britain's Nigerian trade came to be dominated by the soap manufacturer, Lever Brothers (now Unilever). Lever Brothers started its trading in Nigeria in 1910 and bought the Niger Company in 1920.[3] By 1914, the United States had direct investment in Africa worth of $13 million. United States investment in Africa blossomed after 1955 as American Corporations moved abroad in force.

It can be seen that Nigeria's history over the past century, is closely tied to the operations of the multinational corporations. As soon as Niger Company (now Unilever) established trading posts as well as mines and farms in Nigeria, it sought from the British Colonial Office some form of local governmental control. By the turn of the century, the Niger Company (which is the African version of the East India Company) handled nearly all of the trade in the area with over 70% of the imports

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[2]R. Olufemi Ekundar, An Economic History of Nigeria, 1860-1960 (New York: Africana Publishing Co. 1963) p. 215.

[3]Richard Eells, Global Corporation (New York: The Free Press 1976), p. 54.

and 45% of the exports going to and from Britian. Later in the century, Lever Brothers began its successful investment in Africa, an investment that made it by 1967, the largest single investor on the continent.

British colonialism was aimed at serving its empire's needs and sought to develop Nigeria for this purpose. That is British used Nigeria as a source of its raw materials and the market for its finished goods. For the internal development, British was using proceeds from Nigeria's resources to develop the country. For example, the British built railways in Nigeria around the turn of the century out of the nation's surplus resources to connect the cocoa, cotton and mining areas with the seaports. The cover of foreign control continued, even after African nations won independence, the multinational corporations remained even though foreign governments had departed. Raw materials oriented multinational corporations, such as those engaged in mining and oil production, are very dominant in Nigeria's economy. The growth of the oil industry in Nigeria, in the period following World War II had magnified their importance.

The Impact of Multinational Corporations on Nigerian Economics

Any assessment of the MNC's impact on Nigeria necessarily involves a value judgement. On one hand, the

MNC's are exploitative in that they take raw materials and profits out of the country, while leaving little or nothing for the natives. In addition, they plan and destroy infant industries by unnecessary competition and over domination. Tugendhat, infact has pointed out that most of MNCs still appoint only citizens of their home country to their top management position.[4] This shows an outright discriminatroy attitude of the MNCs. By their practical manipulation, they have shifted ownership and control outside of Nigeria.

Multinational Corporations are profit maximizer and loss minimizer. Their policies have the effect of compelling Nigeria to depend upon their continuing supply of foreign capital. Hence, while Nigeria has official charge over the national economy, it lacks effective control because the major means of production are not locally owned. This then has prevented the rise of local mercantile classes.[5] Since high-level managerial positions in the MNCs are generally held by non-Nigerians, as Tugendhat has asserted, it is quite reasonable to conclude that the MNCs often prevent the Nigerian government from assuming genuine power and control over its economy. For a developing country such as Nigeria, this is harmful because it

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[4]Christopher Tugendhat, The Multinationals (Middlesex, England: Penguin Books, 1971), p. 231.

[5]Timothy M. Shaw, "Zambia: Dependence and Underdevelopment," Canadian Journal of African Studies. Vol. 10, No. 1, 1976, p. 6.

prevents national economic planning, which is necessary for development and for broadening an egalitarian base.

Relying on foreign capital for development usually promotes uneven development, because of the MNCs profit - orientation and because of their concentration in certain industries only.[6] This is not well suited to national economic planning, to which Nigeria as a nation has committed itself soon after independence. Such central planning calls for more even development, more equal income distribution, and more rapid increase in GNP.[7] Still, the Nigerian government has recognized the need for private foreign capital, and its development plans often call for substantial amounts of such capital.[8]

American investments in Nigeria are now as great as in South Africa, and are growing at a faster rate.[9] These are shown in American firms and affiliates in Nigeria below:

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[6]Harry G. Johnson, "The MNC as an Agency of Economic Development," in Barbara Ward, et al, The Widening Gap (New York: Columbia University Press), p. 244.

[7]Herskovits. "Nigeria: Africa's New Power," Foreign Affairs 53 (January 1975), p. 314.

[8]Abiaka, pp. 33-34.

[9]Nwachuku, pp. 166-167.

Table XVI

American Firms and Affiliates in Nigeria

ACCOUNTING

Arthur Young, Osinder and Company
McLintock Main Lafrentz International
Price Waterhouse and Company

ADVERTISING

Grant Advertising International (Nigeria) Ltd.

AGRICULTURE

FMS International S.A.
Ingersoll-Ran International
Texaco Agro-Industrial (Nigeria) Ltd.
Tiffany Industries Americas Corp.
Uncle Ben's Foods
Worthington Pump, Inc.

BANKING

BT International Nigeria Ltd.
Chase Merchant Bank (Nigeria)
Icon, Ltd.
Nigerian Diversified Investments, Ltd.
Savannah Bank of Nigeria, Ltd.

CONSTRUCTION

Aeromaritime International
Aladdin Construction Nigeria, Ltd.
Amcord Nigeria, Ltd.
Ameniger Construction (NIG) Co., Ltd.
Aminci International Co., Ltd.
A & S Building Systems International
Bellanted, Clauss, Miller and Nolan
Bennett-Sasore-Dunn, Ltd.
Bisceglia Brothers and Associates Construction Co. (Nigeria) Ltd.
Brown and Root (Nigeria), Ltd.
Butler Homes
Cistar (Nigeria) Ltd.
Clyde Dial Construction (NIG), Ltd.
Consolidated Structures
E.A.O. Nigeria, Ltd.
General Contractors (NIG), Ltd.
Gyado Steers (Nigeria), Ltd.
IBW Enterprises (Nigeria), Ltd.
International Housing (NIG), Ltd.

Source: Nigerian American Economic Relations (1978), p. 66-69.

JDP Nigeria, Ltd.
Jo Art United
Johnson White United, Ltd.
Lastra Construftion (Nigeria), Ltd.
Levitt Industries
Marcella Mezzulli/Collyer Associates, Inc.
Messerschmidt Development Co.
Meridan Engineering (NIG), Ltd.
Navarro International (NIG), Ltd.
Nigercare International Co.
Nigeria Group Four Construction Co., Ltd.
Nigerian International Construction Co.
Panelfab International corporation
Pureway Corporation of Nigeria, Ltd.
Raymond International of Delaware, Inc.
Reynolds Construction Co. (Nig), Ltd.
Sage Construction (Nigeria), Ltd.
Satt Nigeria, Ltd.
Seaman International, Inc.
Sheldon L. Pollack (Nigeria)
Southeastern Drilling Co. (NIG)
Tobecon
Urban Engineers

CONSULTANTS

Bechtel International Corporation
Chas. T. Main International, Inc.
Foster Wheeler (Nigeria), Ltd.
Frank Basil and Associated
Gilbert/Commonwealth Associates
International Planning Associates
Louis Berger, Ing. Nigeria
Nigeria Foundation Services and Solis Research Co., Ltd.
Nigeria-Cincinnati Consortium
Parsons Brickerhoff Quate and Douglas International, Inc.
P.I. Nwamu Associates, Inc.
Stanley Consultants, Ltd.
Sverdrup and Parcel and Associates
Max O. Urbahn International, Ltd.

FISHERIES

Nigerian National Shrimping Co., Ltd.
Seastate Seafoods, Ltd.
West African Shrimps, Ltd.

INSURANCE

American International Insurance Company (Nigeria), Ltd.
British American Insurance Company (Nigeria), Ltd.

Source: Nigerian American Economic Relations (1978), p. 66-69.

OFFICE EQUIPMENT

IBM Nigeria, Ltd.
3M Nigeria, Ltd.
National Cash Register (W.A.), Ltd.
Rank Xerox (Nigeria), Ltd.

PHARMACEUTICALS AND COSMETICS

Abbott Laboratories Nigeria, Ltd.
Bristol-Meyers
Chesebrough Ponds International Nigeria,Ltd.
Johnson and Johnson (Nigeria), Ltd.
Nevlon Pharmaceutical (Revlon), Ltd.
Pfizer Products, Ltd.
A. H. Robins International Company
Smith Kline and French Nigeria, Ltd.
Squibb (Nigeria), Ltd.
Sterling Products (Nigeria), Ltd.
Upjohn Nigeria, Ltd.
Wyeth Nigeria, Ltd.

PROCESSING AND MANUFACTURING

Black and Decker (Nigeria), Ltd.
Express Dairy, Ltd. Nigeria
Foremost Dairies (Nigeria), Ltd.
Goodyear Midwest Rubber Processing Company (Nigeria), Ltd.
Johnson Wax Nigeria,Ltd.
The Crown Cork and Seal Co. (NIG)
Life Flour Mill, Ltd.
Livestock Feeds, Ltd.
3M Nigeria, Ltd. (Minnesota Mining and Manufacturing)
Nigerian Kraft Bags, Ltd.
Nigerian Sewing Machine Manufacturing Company, Ltd.-Singer
Philip Morris Nigeria,Ltd.
Pureway Corporation of Nigeria, Ltd.
Union Carbide Nigeria, Ltd.

TELECOMMUNICATIONS AND POWER

Aeronutronic Ford Overseas Systems
Afro Elektro Konsult, Ltd.
General Electric USA (Nigeria), Ltd.
GTE Nigeria, Ltd.
Harris International Telecommunications
ITT Nigeria, Ltd.
Motorola Communication Division
Page Europa
Tcom Westinghouse, Inc.
Telcom, Incorporated
Teleconsult Incorporated

Source: Nigerian American Economic Relations (1978), p. 66-69.

TRANSPORTATION

Farrell Lines International (NIG), Ltd.
Grumman International Company
Pan African Airlines (Nig), Ltd.
Pan American World Airways, Inc.
Trans World Airlines

MISCELLANEOUS

The Ford Foundation
EKO Holiday Inn, Inc.
Primary Steel (Nigeria), Ltd.

Source: Nigerian American Economic Relations (1978), pp. 66-69.

Western Electric has invested in Nigeria and so has the Chase Manhattan Bank, as well as Indian Mills, a cotton textile corporation. The best available comparison of American investments between Nigeria and South Africa is given below:

Table XVII

American Investment in Nigeria and South Africa

1973	NIGERIA		SOUTH AFRICA
To U. S.	$150.9 million		$184.8 million
From U.S.	90.1		343.3
U.S. Minus Balance	$ 60.8 million	U.S. Plus Balance	$158.5 million
1974			
To U.S.	$1,265.7 million		$249.0 million
From U.S.	120.9		530.0
U.S.Minus Balance	$1,144.8 million	U.S.Plus Balance	$281.0 million

Source: J. Herskovitz, "Nigeria: Africa's New Power." Foreign Affairs. 53 (January 1975), p. 314.

From the above table it is seen that under Nigeria, U.S. received $150.9 million and gave out $90.1 million in 1973. The U.S. had a negative balance of $60.8 million. In the same year, the U.S. gave South Africa $343.3 million and received from South African $184.8 million. It therefore had a positive balance of $158.5 million.

In 1974, the U.S. gave Nigeria $120.9 million and received from Nigeria $1,265.7 million. In the same year, the U.S. gave South Africa $530.0 million and received from it $249.0 million. The U.S. has a positive balance of $281.0 million.

The oil boom brought about the great change. Investment figures are hard to ascertain. But the best estimate for U.S. capital in 1974 according to Herskovits, are $1.2 billion in South Africa and over $900 million in Nigeria. Furthermore, much of the investment in Nigeria is new, whereas in South Africa, increases come from reinvestment. The rate of increase in investment since 1971 was approximately four times as high for Nigeria as South Africa.

This shows how large American multinational corporations in Nigeria are, and the threats of both economic and political domination they represent. After Nigeria had achieved its independence, it was confronted with the same problems as many other states before it. That is, while politically colonialism had disappeared, there still existed the economic dependency associated with colonialism.

At this time, Nigeria did not have sufficiently trained and educated nationals to nationalize and run the multinational dominated sector in the economy. Any obvious confiscation at this stage would be counter productive. Presently, there are two schools of thought in the developing nations with regard to the question of nationalization. One school aims at outright nationalization without any regard for the consequences, based on the assumption that without control of industry and the economy, the nation is not free. The other school observes that there is a need for the multinational and for foreign domination of the industry for a long transitional period until natives of the country can gradually take over. Nigeria pursued an intermediate strategy between the two, by seeking participation with multinationals operating within the nation. In this way, multinational corporations retain at least partial control over their operations and share the reamining authority with the Nigerian government. This has allowed the development of indegenous managers, workers and operators who are trained on the job.[10] This policy known as indigenisation has the twofold effect of encouraging foreign investors, seriously needed in Nigeria for development. While on the other hand, keeping Nigerian control of the economy.

Because Nigeria cannot immediately and efficiently nationalize all the multinational corporations, it must

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[10]Herskovits, pp. 314-5.

co-operate with them. Presently, Nigerians are working with them in a manner designed to attract both their money and their expertise without any impediment to the national economy. Nigeria has taken gradual steps to ease them out in many areas of the economy. Herskovits observes that as of 1974, over twenty types of business were actually nationalized with ownership transferred to Nigerians. It is anticipated that such a process will gradually accelerate in the future.[11]

This is confirmed in the Nigerian Enterprises Promotion Decree 1977 which is now published. Under the decree, all enterprises in Nigeria are classified into three categories.

Schedule I consists of enterprises exclusively reserved for Nigerians; Schedule 2 consists of enterprises in respect of which 60 percent of the equity must be owned by Nigerians; while the third category consists of enterprises in respect of which 40 percent of the equity must be owned by Nigerians.[12]

Below are the full lists of the three schedules:

Table XVIII

Nationalization Scheme for Nigeria

Schedule I Enterprises Exclusively Reserved for Nigerians

1. Advertising and public relations business
2. All aspects of pool betting business and lotteries

[11]Herskovits, pp. 320-1

[12]Nigerian-American Economic Relations 1978, p. 79.

3. Assembly of radios, radiograms, record changers, television sets, tapes recorders and other electric domestic appliances not combined with manufacture of components
4. Blending and bottling of alcoholic drinks
5. Blocks and ordinary tile manufacture for building and construction works
6. Bread and cake making
7. Candle manufacture
8. Casinos and gaming centres
9. Cinemas and other places of entertainment
10. Commercial transportation (wet and dry cargo and fuel)
11. Commission agents
12. Departmental stores and supermarkets having an annual turnover of less than N2,000,000
13. Distribution agencies excluding motor vehicles, machinery and equipment and spare parts
14. Electrical repair shops other than repair shops associated with distribution of electrical goods
15. Establishments specializing in the repair of watches, clocks and jewelry, including imitation jewelry for the general public
16. Estate agency
17. Film distribution (including cinema films)
18. Garment manufacture
19. Hairdressing
20. Ice-cream making when not associated with the manufacture of other dairy products
21. Indenting and confirming
22. Laundry and dry cleaning
23. Manufacturer's representatives
24. Manufacture of jewelry and related articles, including imitation jewelry
25. Manufacture of suitcases, brief case, hand bags, purses, wallets, portfolios and shopping bags
26. Municipal bus services and taxis
27. Newspaper publishing and printing
28. Office cleaning
29. Passenger bus services of any kind
30. Poultry farming
31. Printing of stationery (when not associated with printing of books)
32. Protective agencies
33. Radio and television broadcasting
34. Retail trade (except by or within departmental stores and supermarkets)
35. Rice milling
36. Singlet manufacture
37. Stevedoring and shorehandling
38. Tire retreading
39. Travel agencies
40. Wholesale distribution of local manufactures and other locally produced goods

Source: Nigerian American Economic Relations(1978) p. 79-80.

Schedule 2 Enterprises in Respect of Which Nigerians Must Have Majority Interest

1. Banking-commercial, merchant and development banking
2. Basic iron and steel manufacture
3. Beer brewing
4. Boat building
5. Bottling of soft drinks
6. Business services other than machinery and equipment rental and leasing such as business management and consulting services; fashion designing
7. Clearing and forwarding agencies
8. Canning and preserving of fruits and vegetables
9. Coastal and inland waterways shipping
10. Construction industry
11. Departmental stores and supermarkets having annual turnover of not less than N2,000,000
12. Distribution agencies for machines and technical equipment
13. Distribution and servicing of motor vehicles, tractors and spare parts thereof or similar objects
14. Fish and shrimp trawling and processing
15. Fertilizer production
16. Grain mill products except rice milling
17. Industrial cleaning
18. Insecticides, pesticides and fungicides
19. Internal air transport (scheduled and charter services)
20. Insurance-all classes
21. Lighterage
22. Manufacture of bicycle
23. Manufacture of biscuits and similar dry bakery products
24. Manufacture of cement
25. Manufacture of cosmetics and perfumery
26. Manufacture of cocoa, chocolate and sugar confectionery
27. Manufacture of dairy products, butter, cheese, milk and other milk products
28. Manufacture of food products like yeast, starch, baking powder, coffee roasting; processing of tea leaves into black tea
29. Manufacture of furniture and interior decoration. Manufacture of metal fixtures for household, office and public building
30. Manufacture of leather footwear
31. Manufacture of matches
32. Manufacture of metal containers
33. Manufacture of paints, varnishes or other similar articles
34. Manufacture of plastic products such as plastic dinnerware, tableware, kitchenware, plastic machinery parts, bottles, tubes and cabinets
35. Manufacture of rubber products, rubber footwear, industrial and mechanical rubber specialties such as gloves, mats, sponges and foam

Source: Nigerian American Economic Relations (1978), p. 79-80.

36. Manufacture of tyres and tubes for bicycles and motor-cycles; of tyres and tubes for motor vehicles
37. Manufacture of soap and detergents
38. Manufacture of wire, nails, washers bolts, nuts rivets and other similar articles
39. Other manufacturing industries such as non-rubber and non-plastic toys, pens, pencils, umbrellas, canes, buttons, brooms, and brushes, lampshades, tobacco pipes and cigarette holders
40. Mining and quarrying
41. Oil milling, cotton ginning and crushing industries
42. Paper conversion industries
43. Plantation sugar and processing
44. Plantation agriculture for tree crops, grains, and other cash crops
45. Printing of books
46. Production of sawn timber, plywood, veneers and other wood converstion industries
47. Petro-chemical feedstock industries
48. Publishing of books, periodicals and such like
49. Pulp and paper mills
50. Restaurants, cafes and other eating and drinking places
51. Salt refinery and packaging
52. Screen printing on cloth, dyeing
53. Inland and coastal shipping
54. Slaughtering, storage associated with industrial processing and distribution of meat
55. Tanneries and leather finishing
56. Wholesale distribution of imported goods
57. Photographic studios, including commercial and aerial photography

Source: Nigerian American Economic Relations (1978), p. 79-80.

<u>Schedule 3 Enterprises of which Nigerians must own 40 percent</u>

1. Distilling, rectifying and blending of spirits such as ethyl alcohol, whisky, brandy, gin and the like
2. Tobacco manufacture
3. Manufacture of basic industrial chemicals (organic and inorganic)
4. Manufacture of synthetic resins, plastic materials and man-made fibres, except glass
5. Manufacture of drugs and medicines
6. Manufacture of pottery, china, and earthenware.
7. Manufacture of glass and glass products
8. Manufacture of burnt bricks and structural clay products
9. Manufacture of miscellaneous non-metallic mineral products such as concrete, gypsum and plastering products, including ready-mixed concrete; mineral wool, abraisave; asbestos products; graphite products
10. Manufacture of primary non-ferrous metal products such as ingots, bars and billets; sheets, strips, cirales,

Source: Nigerian American Economic Relations (1978), p. 79-80.

cecrous, rods, tubes, pipes and wire rods casting and extrusions.

11. Manufacture of (fabricated metal) cutlery, hand tools and general hardware
12. Manufacture of structural metal products-components of bridges, tanks metal doors and screens, window frames.
13. Manufacture of miscellaneous fabricated metal products, except machinery and equipment, such as safes and vaults; steel springs; furnaces; stoves, and the like
14. Manufacture of engines and turbines
15. Manufacture of agricultural machinery and equipment
16. Manufacture of metal and wood working machinery
17. Manufacture of special industrial machinery and equipment, such as textile and food machinery, paper industry machinery, oil refining machinery and equipment, and the like
18. Manufacture of office, computing and accounting machinery
19. Manufacture of other machinery and equipment except electrical equipment pumps, air and gas compressors; blowers; air conditioning and ventilating machinery; refrigerators, and the like
20. Manufacture of electrical industrial machinery and apparatus
21. Manufacture of radio, television and communications equipment and apparatus
22. Manufacture of electrical appliances and houseware
23. Manufacture of electrical apparatus and supplies not elsewhere classified, such as insulated wires and cables, batteries, electric lamps and tubes, fixtures and lamp switches, sockets, switches, insulators, and the like
24. Ship building and repairing (excluding boat building)
25. Manufacture of railway equipment
26. Manufacture of motor vehicles and motorcycles
27. Manufacture of aircraft
28. Manufacture of professional and scientific and measuring and controlling equipment, such as laboratory and scientific instruments, surgical, medical and dental equipment, instruments and supplies and orthopedic and prosthetic appliances
29. Manufacture of photographic and optical goods
30. Manufacture of watches and clocks
31. Ocean transport/shipping
32. Oil servicing companies
33. Storage and warehousing-the operation of storage facilities and warehouses (including bonded and refrigerated warehouses) for hire by the general public
34. Textile manufacturing industries
35. Hotels, rooming houses, camps and lodging places
36. Data processing tabulating services (on a fee or contract basis)

Source: Nigerian American Economic Relations(1978), p. 79-80.

37. Production of cinema and television films (or motion picture production)
38. Machinery and equipment rental and leasing
39. All other enterprises not included in Schedule 1 or 2 not being public sector enterprises

The decree was deemed to have come into force since June 29, 1976.

Source: Nigerian American Economic Relations (1978), pp. 79-80.

There has been continual criticism on the part of the nationalists that Nigerianization of the economy is too slow and on the part of the businessmen, that the system is growing too fast, putting only partially-trained and ill-equipped Nigerians in control. The businessmen's line of agrument does not seem right. For it is difficult if not impossible to prove that Nigerians who had been on the job for many years, and had particularly been trained for those jobs can now be inefficient. It appears that multinationals have some notable problems and mistakes somewhere. At present, the national leaders are of the opinion that since the multinationals are necessary for the time being, they will continue to stay. Economic development must continue, they point out; Nigeria must use this time for a unique on-the-job training and modernization of the economy.

Presently, Nigeria co-operates with the multinational corporations in a variety of areas. Nigerian oil producers, Shell and British Petroleum, are working together and with the government.[13] Nigerian government controls

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[13]Leui A. Nwachuku, "Nigeria's Uncertain Future," Current History 71 (November 1976), p. 166.

55 percent share in the oil production.

Nigerian government had very generously encouraged many companies to make the country their African, or at least West African headquarters. At the present time, over 300 multinational headquarters for the continent of Africa are located in Nigeria, largely in the Lagos area.[14]

Some of the most significant non-U.S. multinational corporations are:

Apapa Niger Motors, Limited. It has been in production since 1959, with ₤N400,000 investment. It is 100 percent United Africa Company (British controlled). This company very discriminatorily employs only 270 Nigerians with insignificant salaries. The company deliberately refuses to disclose its profits. It pays little or nothing in the form of taxes to the government. It assembles 1,800 C.K.D. Bedford trucks and hundreds of jeeps and station wagons and buses every year.

Kano Northern Textile Manufacturers, Ltd., with investment of ₤1 million. It is completely owned by Nishizawa Co. (Japan). It employs 300 Nigerians. It produces 800,000 cotton, woolen and rayon blankets every year.

Ikeja Vitafoam (Nigeria) Ltd. It has been in production since mid 1963 with ₤ 125,000 investment. G. B. Olivant (Unilever) and Birafoam L 12 (UK). It employs only 50

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[14] Edith Penrose, The Large International Firms in Developing Countries (Cambridge: M.I.T. Press, 1968), p. 76.

Nigerians. It manufactures hundreds of cushions.

Port Harcount Raleigh Bicycle Industries of Nigeria Limited. This has been in production since 1960, with investment of Ł 75,000. United Africa Company (U.K) owned. It assembles frames, forks and back stays. It has branches in Zaria in Northern Nigeria, Mushin in the West and Warri in Midwestern Nigeria. It employes under twenty-five Nigerians in each of the branches.

Port Harcourt Alcan Aluminum of Nigeria, Limited. It has been in existence since 1963. It has investment of Ł 1.25 million. Foreign controlled, it employs 100 Nigerians. This company operates three shifts. The mill has capacity to roll 6000 tons of imported aluminum inpots into coil, flat sheet and circles.

Apapa (Lagos) Narakat, Ltd. It had been in production since 1962, with Ł200,000 investment. It is 100 percent Nassar Group controlled muntinational. The company produces "Pioneer" Sweet biscuit and employs 150 Nigerians.

Ikeja Asbestos Cement Products (Nigeria), Limited in Western Nigeria near Lagos. This company had been in existence since 1961. It has initial capital investment of Ł 600,000 plus Ł 350,000 expansion. Western Nigeria has 35 percent share; 57 percent goes to Italian (Eternit)-Belg group; 4 percent John Hold (U.K.) investment company; 4 percent for Paterson Zochonis (U.K.). It employs 200 Nigerians and produces 18,000 tons a year "Nigerite" sheets.

Kano Nigerian Metal Fabricating Company, Limited. In production since August 1960, with initial capital investment of Ⱡ45,000. It is 100 percent George Calil, A Lebanese businessman. It employs 125 Nigerians and operates on three shifts. It produces forundry platings and aluminum holloware.

Multinationals are moving fast in the field of breweries:

Apapa Nigerian Breweries, Limited. The company had been in production since 1949. U.A.C., Heineken (U.K.) technical partners. It employs 900 Nigerians and produces three and one half million gallons a year capacity. Star Beer and Sampson Stout.

Aba Nigerian Breweries, Limited. It had been in existence since 1957. This branch employs 500 Nigerians and produces two million gallons of beer a year.

It has another branch at Kaduna, capital of Northern Nigeria. This branch was built in 1963. This branch has initial capital investment of Ⱡ 1 million and employs 300 Nigerians.

There is Guinness Nigeria, Limited at Ikeja, Western Nigeria. It was built in 1962. It has initial capital investment of Ⱡ1.8 million. It is owned and controlled by U.A.C. and Arthur Guinness Son and Company. The company employs 450 Nigerians and produces three to three and one half million gallons a year, capacity of stout. This company has a branch at Umuahia in Eastern Nigeria with investment of Ⱡ950,000 and employs 200 Nigerians.

There is West African Brewery Company, Limited at

Abeokuta, Western Nigeria. It is jointly owned by Dizengoff (Israel) and A. G. Leventis (German). It has initial capital investment of Ł 1 million and employs 200 Nigerians.

There are American multinational corporations in Nigeria also; one of them is Coca Cola. It is built in Lagos, the capital of Nigeria. This company makes use of Nigerian cocoa as raw material; not surprisingly, this company has deliberately refused to disclose its profits. It pays little or no tax to the Nigerian government. In the recent past, it has started to introduce modern machinery in the plant. The reason for this is to reduce the already insignificant Nigerian workers in the plant with a view to increasing its profit.

Multinational corporations control quarrying and mining areas, including construction in Nigerian economy. By this, they control the growth rate. Data for growth rate shows that the growth rate is the lowest in the areas dominated by them.

The peculiar characteristic of multinationals is that they do not employ many Nigerian personnel at management levels. This allows them to monopolize all positions of power and authority. But instead, Nigerians, are concentrated in the lowest paying jobs and exploited as a part of the multinational corporation's cheap labour force. For example, Shell-BP employs only about five to ten personnel who are Nigerians in their management level jobs.

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